

Message Text

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AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01

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P 090754Z DEC 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 3728

INFO AMEMBASSY PORT MORESBY PRIORITY

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 3/9/77

TAGS: EAID, EFIN

SUBJECT/ PROPOSED ADB LOAN FOR BEEF CATTLE PROJECT IN SOLOMON
ISLANDS

SUMMARY: ADB MANAGEMENT PROPOSES \$3.57 MILLION EQUIVALENT
LOAN FROM SPECIAL FUNDS RESOURCES TO SOLOMON ISLANDS TO
FINANCE MAJOR PORTION OF THE FOREIGN EXCHANGE AND PART OF
THE LOCAL CURRENCY COST OF A BEEF CATTLE DEVELOPMENT PROJECT.
ESTIMATED TOTAL COST OF PROPOSED PROJECT IS \$8.37
MILLION, INCLUDING \$4.58 MILLION IN FOREIGN EXCHANGE.
GOVT PROPOSES TO MEET REMAINDER OF FOREX COST THROUGH
LOANS AND GRANTS FROM AUSTRALIA, NEW ZEALAND AND
U.S. USADB RECOMMENDS FAVORABLE NAC ACTION SUBJECT TO
RESERVATIONS EXPRESSED PARAS. 20 AND 21.

1. ADB DOC R125-76 WITH ATTACHMENTS DESCRIBING PROPOSED
LOAN POUCHED ADDRESSEES DEC 1. BOARD CONSIDERATION
SCHEDULED DEC 21.

2. ADB MANAGEMENT PROPOSING \$3.57 MILLION LOAN FROM
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SPECIAL FUNDS TO GOVT OF SOLOMON ISLANDS. PROCEEDS WILL

FINANCE \$2.47 MILLION EQUIVALENT OF FOREX COST, INCLUDING \$6,080 REPRESENTING AMOUNT IN EXCESS OF \$100,000 INCURRED FOR PREPARATION OF FEASIBILITY STUDY UNDER BANK'S PREVIOUS TECHNICAL ASSISTANCE, AND \$1.10 MILLION EQUIVALENT OF LOCAL CURRENCY COST OF PROPOSED BEEF CATTLE DEVELOPMENT PROJECT. REMAINING FOREX COSTS TO BE MET FROM LOANS AND GRANTS FROM AUSTRALIA, NEW ZEALAND, AND U.S. PROPOSED TERMS ARE 40 YEAR AMORTIZATION INCLUDING 10 YEAR GRACE PERIOD, 1 PERCENT SERVICE CHARGE. GOVT OF SOLOMON ISLANDS TO BE BORROWER. SOLOMON ISLANDS CATTLE DEVELOPMENT AUTHORITY (CDA), AGRICULTURAL AND INDUSTRIAL LAND BANK (AILB), AND MINISTRY OF AGRICULTURE AND LANDS (MAL) TO BE JOINT EXECUTING AGENCIES. THIS WOULD BE BANK'S FIRST LOAN TO SOLOMON ISLANDS.

3. SOLOMON ISLANDS (SI) HAS LAND AREA OF 28,500 SQ KM, ABOUT 80 PERCENT OF WHICH ACCOUNTED FOR BY SIX ISLANDS (GUADALCANAL, MALAITA, SANTA ISABEL, SAN CRISTOBAL, NEW GEORGIA AND CHOISEUL) STRETCHING SOUTHEASTERLY FROM PAPUA NEW GUINEA. POPULATION ESTIMATED AT ABOUT 190,000, THREE-FOURTHS ESTIMATED AT \$330 IN 1975, BUT ONLY \$169 FOR NATIVES(EXCLUDING EXPATRIATES). AGRICULTURE ACCOUNTS FOR 60 PERCENT OF GDP. COPRA, TIMBER, AND FISH ARE PRINCIPAL PRODUCTS, ACCOUNTING TOGETHER FOR 90 PERCENT OF EXPORT EARNINGS IN 1975, BUT DIVERSIFICATION UNDERWAY WITH GOOD PROSPECTS FOR PALM OIL, RICE AND LIVE-STOCK. MANUFACTURING AND COMMERCIAL ACTIVITIES, CENTERED IN HONIARA, THE CAPITAL ON GUADALCANAL ISLAND, CONSTITUTE SMALL BUT FAST GROWING SECTOR.

4. EXPORTS REACHED \$24.2 MILLION IN COMMODITY PRICE BOOM OF 1974 BUT FELL BACK TO MORE NORMAL \$12.2 MILLION IN 1975 AS AGAINST IMPORTS OF \$25 MILLION. TRADE DEFICIT, AS WELL AS GOVT'S CAPITAL BUDGET IS FINANCED MAINLY BY AID FROM U.S. AND TO LESSER EXTENT AUSTRALIA AND NEW ZEALAND. ECONOMIC SELF-RELIANCE IS MAJOR ECONOMIC OBJECTIVE OF SI'S SEVENTH DEVELOPMENT PLAN (1974-79).

5. BANK APPROVED IN SEPT 1974 \$150,000 TECHNICAL ASSISTANCE (TA) GRANT TO SOLOMONS FOR BEEF CATTLE DEVELOPMENT PROJECT. LIMITED OFFICIAL USE

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UNDER TA, NEW ZEALAND CONSULTING FIRM UNDERTOOK FEASIBILITY STUDY IN TWO PHASES. PHASE I, MARKETING STUDY, WAS COMPLETED IN MARCH 1975. PHASE II, FULL FEASIBILITY STUDY OF PROGRAM WHICH WAS COMPLETED IN JUNE 1975, INDICATED PROPOSED PROJECT PRIMA FACIE FEASIBLE AND ECONOMICALLY VIABLE. BANK APPRAISAL MISSION, VISITING SOLOMONS PURSUANT TO PHASE II FEASIBILITY STUDY IN SEPTEMBER/OCTOBER 1975, CONCLUDED THAT PROPOSED PROJECT SHOULD BE

SCALED DOWN. IN FEB 1976, GOVT ACCORDINGLY OUTLINED
SCOPE FOR SMALLER PROJECT WHICH HAS BECOME BASIS FOR
PROPOSED PROJECT.

6. CATTLE PRODUCTION HAD ALREADY RECEIVED STRONG EMPHASIS
UNDER GOT'S SIXTH PLAN, 1971-74, AND IN 1975. UNDER A
SYSTEM OF SUBSIDIES FOR IMPORTED CATTLE, STOCKYARD/
CONSTRUCTION, PASTURES, AND FENCING, NUMBER OF HERDS
INCREASED DURING 1970-1975 FROM 280 TO 650, NUMBER OF CATTLE
FROM 12,000 TO OVER 22,684. CONSUMPTION OF FRESH AND
FROZEN BEEF SAID TO HAVE RISEN SHARPLY, REACHING 538 TONS
OF A TOTAL 859 TONS OF MEAT CONSUMED IN 1974 (REMAINDER
ACCOUNTED FOR MAINLY BY IMPORTED CANNED MEAT; IMPORTS OF
FRESH MEAT DECLINED FROM 98 TONS IN 1970 TO 26 TONS IN
1974, PRESUMABLY REFLECTING GROWTH OF LOCAL PRODUCTION).

7. LOCAL BEEF SUPPLIES APPEAR NOW TO BE ABOUT IN BALANCE
WITH DEMAND. MISSION BELIEVES, IN FACT, THAT WITHOUT THE
ESTABLISHMENT OF MEAT PROCESSING, DISTRIBUTION AND PROCES-
SING FACILITIES INVOLVED IN PROPOSED PROJECT, SUPPLY WOULD
SOON EXCEED DEMAND AT PRESENT PRICES. PER CAPITA CONSUMP-
TION OF FRESH BEEF NOW AVERAGES OVER 10 KG IN HONIARA AND
RUSSELL ISLANDS WHERE BULK OF MARKETING, DISTRIBUTION
FACILITIES ARE LOCATED, BUT ONLY 1.7 KG COUNTRYWIDE.
SINCE PROSPECTS FOR SI ECONOMIC GROWTH ARE SLIGHT,
FUTURE GROWTH IN DEMAND, ESTIMATED AT 6.5 PERCENT PER
ANNUM DURING 1976-85, IS EXPECTED COME ENTIRELY FROM
POPULATION INCREASE AND FACILITIES INVOLVED IN PROJECT

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FM AMEMBASSY MANILA

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ITSELF.

8. PROPOSED PROJECT WOULD ESTABLISH EFFECTIVE INFRASTRUCTURE FOR BEEF INDUSTRY AS A WHOLE. IT WOULD CREATE SELF-SUFFICIENCY IN BEEF AND BEEF PROJECTS AT AN INCREASED LEVEL OF DEMAND: INITIATE EXPORTS TO NEAR-NEIGHBORING COUNTRIES; CREATE EMPLOYMENT OPPORTUNITIES WITHIN RURAL AREAS AND IMPROVE RURAL INCOMES. IN THE PROCESS, IT WOULD DRASTICALLY ALTER THE PATTERN OF CATTLE OWNERSHIP IN FAVOR OF SOLOMON ISLANDERS AS OPPOSED TO EXPATRIATE PLANTATIONS, INCREASING SHARE OF FORMER FROM 28 PERCENT IN 1975 TO 70 PERCENT BY 1985.

9. PROJECT COMPONENTS INCLUDE;

(A) IMPORTATION OF 2,000 HEIFERS, 1,600 FOR SMALL-HOLDERS AND 400 FOR GOVT FARMS;

(B) FARM LEVEL ACTIVITIES, NOTABLY: DEVELOPMENT OF ABOUT 200 NEW SMALLHOLDER CATTLE FARMS OF 20 HA EACH; 5 HA EXTENSIONS OF PASTURE AREAS ON 400 EXISTING SMALLHOLDER FARMS; EXTENSION OF GOVT BREEDING FARMS; PROMOTION OF PARALLEL DEVELOPMENT OF ABOUT 3,000 LIMITED OFFICIAL USE

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HA BY ESTATES.

(C) ESTABLISHMENT AND INITIAL OPERATION OF ONE CENTRAL AND NINE DISTRICT HOLDING GROUNDS INCLUDING WEIGHING AND LOADING FACILITIES;

(D) ESTABLISHMENT AND INITIAL OPERATION OF A CENTRAL PROJECT PROCESSING FACILITY COMPOSED OF ABATTOIR AND CANNERY, AND MODERNIZATION OF EXISTING DISTRICT SLAUGHTERHOUSES;

(E) DEVELOPMENT OF DOMESTIC AND FOREIGN MARKET CHANNELS;

(F) STRENGTHENING OF EXTENSION SERVICES;

(G) STRENGTHENING OF TRAINING FACILITIES FOR FARMERS, EXTENSION WORKERS AND ADMINISTRATIVE PERSONNEL;

(H) SUPPORT FACILITIES FOR INTER-ISLAND TRANSPORT OF CATTLE;

(I) PROVISION OF CREDIT FACILITIES;

(J) IMPROVEMENT OF MEAT INSPECTION AND LABORATORY FACILITIES;

(K) CONSULTING SERVICES.

10. UNDER PROPOSED PROJECT, NATIONAL BEEF CATTLE HERD WOULD INCREASE FROM ABOUT 24,000 PRESENTLY TO 50,000 BY 1983. STABLE OFFTAKE FROM 20,000 COW BREEDING HERD WOULD BE REACHED IN 1986. FARMERS WOULD RECEIVE MATERIALS OR SUBSIDIES FOR PURCHASE OF MATERIALS REQUIRED IN PASTURE DEVELOPMENT, FENCING AND STOCKYARD CONSTRUCTION, AND 100 PERCENT LOAN FINANCING FOR CATTLE PURCHASES. APART FROM SMALLHOLDER DEVELOPMENT ON BASIS OF FAMILY UNITS, PROJECT PROVIDES FOR SMALLHOLDER BLOCK DEVELOPMENT SCHEMES WHEREBY GROUP OF 50-100 PERSONS COULD FORM COOPERATIVE-TYPE CATTLE FARMS. SUCH FARMS WOULD BE ENTITLED TO SAME BENEFITS AS SMALLHOLDERS.

11. CONSULTANTS TO BE ENGAGED IN ACCORDANCE WITH BANK'S GUIDELINES ON USES OF CONSULTANTS. THOSE BANK-FUNDED INCLUDE GENERAL MANAGER FOR CDA (60 MAN-MONTHS), ONE ACCOUNTANT (36 MAN-MONTHS), AND ONE DESIGN ENGINEER (20 MAN-MONTHS). REMAINING SEVEN AS SUMMARIZED PARA 13. MARKETING ASSISTANCE IS TO BE RESPONSIBILITY OF NEW ZEALAND PROCESSING MANAGER AND, THROUGH ASSISTANCE IN ESTABLISHMENT OF BUTCHER SHOPS, THE AUSTRALIAN LIMITED OFFICIAL USE

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BUTCHERY EXPERT.

12. TOTAL COST OF PROJECT ESTIMATED AT US \$8.37 MILLION, OF WHICH \$4.58 MILLION IN FOREX, \$3.78 IN LOCAL CURRENCY. BANK WOULD FINANCE FOREX COSTS OF \$2.47 MILLION, LOCAL CURRENCY COSTS OF \$1.10 MILLION. OF BANK'S FOREX COSTS, \$6,080 REPRESENTS EXCESS OVER \$100,000 INCURRED FOR PREPARATION OF FEASIBILITY STUDY UNDER BANK TA (PARA 5). PRINCIPAL OTHER FOREX COSTS ARE FOR MATERIALS AND EQUIPMENT FOR FARM DEVELOPMENTS, HOUSING, ADMINISTRATION BUILDING AND PROCESSING COMPLEX, HOLDING GROUNDS AND SLAUGHTERHOUSES; AND CONSULTANT SERVICES. LOCAL CURRENCY COSTS ARE FOR PURCHASES OF LOCAL CATTLE AND LOCAL CONSTRUCTION MATERIALS. NOTE THAT ESTIMATE OF LOCAL CURRENCY COSTS WAS MADE BEFORE AUSTRALIAN DOLLAR DEVALUATION OF NOV 28. OTHER THINGS BEING EQUAL, EFFECT OF DEVALUATION (TAKING INTO ACCOUNT SUBSEQUENT REVALUATION OF DEC 7) WOULD BE TO LOWER U.S. DOLLAR COST OF LOCAL CURRENCY ITEMS BY \$198,000 TO \$902,000. BANK STAFF ADVISE THAT ESTIMATED COST OF BANK LOAN WILL NOT BE LOWERED THE INDICATED 200,000 RATHER, THE "SAVING" WILL BE RETAINED IN THE LOAN AS AN ADDITIONAL MARGIN FOR CONTINGENCIES.

13. OTHER PARTICIPANTS, WHO WILL FINANCE REMAINING FOREX COSTS OF \$2.11 MILLION PLUS MINOR SHARE OF REMAINING LOCAL CURRENCY COSTS, ARE: AUSTRALIA, \$1.33 MILLION AS GRANT

AID FOR 2,000 HEAD OF CATTLE, ONE BUTCHERY EXTENSION
EXPERT, AND FIVE CATTLE DEVELOPMENT OFFICERS; NEW ZEALAND,
\$337,000 TO FINANCE INSTALLATION OF A MEAT CANNERY TO
INCLUDE SERVICES OF PROCESSING MANAGER FOR FOUR YEARS;
AND U.S. \$625,000 TO FINANCE SUBSIDIES TO FARMERS.
REMAINING LOCAL COSTS OF \$2.50 MILLION TO BE BORNE
BY SI PRIVATE ESTATES (\$520,000) AND SMALLHOLDERS
(\$630,000) AND BY SI GOVT.(\$1.35 MILLION) WHICH ALSO
UNDERTAKES TO MAKE ALTERNATIVE FINANCING ARRANGE-
MENTS, INCLUDING USE OF OWN RESOURCES, IN CASE ANY OF
BILATERAL DONORS FAIL TO MEET THEIR COMMITMENTS. NOTE
THAT U.S. DOLLAR VALUES OF AUSTRALIA AND NEW ZEALAND
COMMITMENTS SHOWN ABOVE ARE EQUIVALENT OF AUSTRALIAN
DOLLAR VALUES COMPUTED AT EXCHANGE RATES EXISTING BEFORE
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THE NOVEMBER DEVALUATIONS OF THEIR RESPECTIVE CURRENCIES.

14. PROCUREMENT WOULD BE IN ACCORDANCE WITH BANK'S

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FM AMEMBASSY MANILA

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GUIDELINES. SUPPLY CONTRACTS OF MORE THAN \$100,000 WILL BE THE SUBJECT OF INTERNATIONAL COMPETITIVE BIDDING; LESS THAN \$100,000 EXCEPT FOR MINOR ITEMS ON BASIS OF BIDS OR QUOTATIONS FROM REASONABLE NUMBER OF SUPPLIERS FROM MORE THAN ONE COUNTRY. CONSTRUCTION CONTRACTS TO BE AWARDED ON BASIS OF COMPETITIVE BIDDING AMONG PREQUALIFIED LOCAL CONTRATORS.

15. EXECUTING AGENCY RESPONSIBILITIES WILL BE HELD JOINTLY BY CDA, AILB AND MAL. CATTLE INDUSTRY COMMITTEE, TO BE CHAIRED BY PERMANENT SECRETARY OF MAL, WILL BE ESTABLISHED TO COORDINATE ACTIVITIES OF THE GOVT AND PRIVATE ENTITIES INVOLVED IN PROJECT. CDA, TO BE ESTABLISHED BY LEGISLATIVE ACT PRIOR TO LOAN EFFECTIVENESS, WOULD BE UNDER ADMINISTRATIVE JURISDICTION OF MAL. IT WOULD BE RESPONSIBLE FOR PROCUREMENT AND MOVEMENT OF CATTLE, BOTH DOMESTIC AND IMPORTED; ESTABLISHMENT AND OPERATION OF HOLDING GROUNDS AND PROCESSING COMPLEXES, BEEF MARKETING, BOTH DOMESTICALLY AND ABROAD; AND ACCOUNTING AND ADMINISTRATIVE FUNCTIONS. GENERAL MANAGER AND SENIOR STAFF OF CDA TO BE APPOINTED IN CONSULTATION WITH BANK. LIMITED OFFICIAL USE

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PENDING ESTABLISHMENT OF CDA, MAL TO BE RESPONSIBLE FOR PROJECT IMPLEMENTATION. IN ADDITION, MAL TO HAVE PERMANENT RESPONSIBILITY FOR PROVISION OF EXTENSION SERVICES TO SMALLHOLDER FARMERS AND TO CDA STAFF RUNNING DISTRICT HOLDING GROUNDS AND FOR INITIAL INSPECTORS AND QUARANTINE OF IMPORTED STOCK. GOVT HAS ASSURED THAT MAL EXTENSION STAFF WILL BE EXPANDED AND TRAINING COURSES STRENGTHENED.

16. AILB, ESTABLISHED IN 1955, PROVIDES MEDIUM AND LONG-TERM LOANS TO AGRICULTURAL SECTOR AND TO SMALL COMMERCIAL AND INDUSTRIAL ENTERPRISES WITH RESOURCES DERIVED FROM VARIOUS GOVT GRANTS AND LOW COST LOANS. CHAIRMAN IS DIRECTOR OF AGRICULTURE OF MAL. OPERATIONS TO DATE HAVE BEEN PRIMARILY ADMINISTRATIVE, WITH MAL STAFF UNDERTAKING APPRAISAL AND SUPERVISION OF LOANS. AILB HAS GOOD RECORD ON LOAN RECOVERIES AND FINANCIAL PERFORMANCE HAS BEEN SATISFACTORY. UNDER ONGOING BANK TA, IT WILL BE REORGANIZED AND UPGRADED INTO A DEVELOPMENT FINANCING INSTITUTION. ITS ROLE IN PROPOSED PROJECT WILL BE TO EXTEND FINANCIAL ASSISTANCE TO MEET CREDIT REQUIREMENTS OF SMALLHOLDER CATTLE FARMERS, DISTRICT SLAUGHTERHOUSES, BUTCHER SHOPS, DISTRIBUTORS AND GENERAL PURPOSE STORES, USING FUNDS FURNISHED BY GOVT OUT OF BANK LOAN.

17. MISSION PROJECTS INCREASE IN BEEF CONSUMPTION FROM 410 TONS RED MEAT EQUIVALENT IN 1977 TO 1,634 TONS IN 1986. INCREASED DOMESTIC DEMAND IS EXPECTED TAKE 1,156 TONS (71 PERCENT) OF PRODUCTION IN 1986. SURPLUS, WHICH WILL BEGIN TO ACCRUE IN 1984, WOULD BE MARKETED ABROAD. OWING SI'S GEOGRAPHICAL LOCATION, ONLY POTENTIAL MARKETS ARE PAPUA NEW GUINEA AND NEURA, CURRENTLY SUPPLIED BY AUSTRALIA. SI GOVT HAS RECEIVED MINISTERIAL-LEVEL ASSURANCES AS TO THESE MARKETS. BASED ON ESTIMATED BEEF PRICES, BEEF EXPORT EARNINGS OF \$1.7 MILLION ARE FORESEEN FOR 1986. GIVEN OFFSETTING IMPORTS OF \$0.5 MILLION, NET FAVORABLE BALANCE OF PAYMENTS IMPACT WOULD BE \$1.2 MILLION.

18. APART FROM MEETING GOVT'S MAIN GOALS OF BEEF SELF-SUFFICIENCY AND PROVIDING AN EXPORT BASE, PROPOSED LIMITED OFFICIAL USE

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PROJECT WOULD PROVIDE NET CASH INCOME TO SMALLHOLDERS FARMERS OF FROM \$955 TO \$1,600 ANNUALLY AT FULL DEVELOPMENT. IT WOULD EXPAND LOCAL BEEF MARKETS TO 75,000 CONSUMERS BY 1985 AS COMPARED WITH 30,000 PRESENTLY, AND WOULD GENERATE 600 FULL-TIME JOBS. ECONOMIC RATE OF RETURN IS ESTIMATED AT 12 PERCENT. HOWEVER, THIS CALCULATION IS HIGHLY SENSITIVE TO THE IMPUTED VALUE GIVEN TO THE SURPLUS PRODUCTION THAT WOULD PRESUMABLY ARISE IN THE HYPOTHETICAL NO PROJECT SITUATION. AT THE EXTREME OF ALTERNATIVE DEMAND ASSUMPTIONS, EIRR COULD BE AS LOW AS 8 1/2 PERCENT.

19. PROPOSAL THAT PROJECT BE FINANCED FROM SPECIAL FUNDS (*) RESOURCES AND THAT LOCAL CURRENCY FINANCING BE INCLUDED IS JUSTIFIED BY COUNTRY CONSIDERATIONS INCLUDING SI'S PERSISTENT TRADE DEFICIT AND SMALL RESOURCE BASE. JUSTIFICATION STRENGTHENED BY PROJECT CONSIDERATIONS INCLUDING ECONOMIC AND SOCIAL BENEFITS THAT WILL ACCURE TO SMALLHOLDERS.

20. PROPOSED PROJECT APPEARS WELL THOUGHT OUT SUBJECT ONLY TO THE MATTER OF FUTURE DEMAND FOR BEEF. MISSION HAD PROVIDED NO INFORMATION CONCERNING NUTRITIONAL STANDARDS OF SI POPULATION THAT MIGHT SUGGEST THE DESIRABILITY OF INCREASED BEEF CONSUMPTION (OTHER THAN TO SUPPORT THE PROJECT ITSELF) OR SUPPORT THE CLAIM OF A LARGE POTENTIAL MARKET. EVIDENCE FOR THE LATTER RESTS MAINLY THE MARKET PENETRATION ALREADY ACHIEVED IN HONIARA AND THE RUSSELLS, BUT EXPATRIATES ACCOUNTS FOR AN UNKNOWN, UNDOUBTEDLY LARGE, PROPORTION OF THIS. MISSION ASSERTS THAT PROJECTED LEVEL OF BEEF CONSUMPTION WOULD ONLY BRING SI INTO APPROXIMATE LINE WITH PER CAPITA

BEEF CONSUMPTION OF OTHER COUNTRIES OF SIMILAR INCOME LEVEL. HOWEVER, QUESTION OF ACHIEVING THIS LEVEL IN RELATIVELY SHORT TIME REMAINS OPEN, THE MORE SO SINCE THE MARKETING INNOVATIONS THAT ARE TO BE INSTRUMENTAL IN BRINGING IT ABOUT ARE NOT CLEARLY SPELLED OUT. AS TO EXPORTS, THE PAPUA NEW GUINEA - NAURA MARKET SEEMS REASONABLY ASSURED, BUT IT IS LIMITED IN POTENTIAL EVEN BY STANDARD OF SI EXPORTS.

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21 CONSIDERING THAT OVERSUPPLY OF BEEF IS ALREADY A NEAR-TERM PROSPECT AND THAT GROWTH OF DEMAND APPEARS UNCERTAIN, BANK MIGHT BETTER HAVE LIMITED THIS PROJECT TO PROVISION OF PROCESSING, DISTRIBUTION, AND MARKETING FACILITIES, LEAVING BUILD-UP OF DOMESTIC HERDS TO THE MARKET OR TO A SUBSEQUENT PROJECT. HOWEVER, A TRUNCATED PROJECT WOULD NOT PROVIDE SOCIAL BENEFITS, PARTICULARLY THE EXPANSION OF SMALLHOLDER CATTLE OWNERSHIP, THAT APPEAR TO BE BEST FEATURE OF PROPOSED PROJECT. FOR THIS REASON, AND BECAUSE IT HAS BEEN PERSUADED BY BANK STAFF THAT ALTERNATIVE SI PROJECTS ARE NOT READILY FORESEEABLE, USADB IS INCLINED TO SUPPORT PROPOSED PROJECT. USADB INTENDS, HOWEVER, TO PRESS BANK FOR ASSURANCES AND FURTHER INFORMATION ON PROCESSING-DISTRIBUTING-MARKETING ASPECTS.

22. REQUEST PORT MORESBY COMMENTS FOR NAC GUIDANCE PURSUANT TO STATE 119795, INFO USADB MANILA, DATED JULY 3, 1972.
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
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